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SUBJECT: CONTROVERSY OVER NEW CONTROLLER GENERAL IN PANAMA

Summary

11. (SBU) The National Assembly has selected Gioconda Torres de Bianchini, a longtime associate of President Ricardo Martinelli in both his public and private incarnations, as Controller General of Panama, effective January 1, 2010. Despite de Bianchini's qualifications, her close ties to Martinelli may compromise the fight against corruption in the Panamanian government. Attendant press reaction has been very negative. The loss of unqualified press support for the new administration could begin to erode Martinelli's 86 percent popularity ratings. End Summary.

Nolo Contendre

12. (SBU) The Controller General, whose job is to provide oversight of executive branch spending, occupies a critical place in the government. All government contracts must pass through the office, which is cabinet-level, regardless of the originating ministry. This makes it a natural chokepoint for preventing corruption, or not. De Bianchini began working with Martinelli in 1994 when he was director of the Social Security Administration and she was the head of national audits there. From 2000 to 2009, she was chief auditor at Ricamar, S.A., one of the companies in Martinelli's sprawling business empire. De Bianchi served as treasurer of the Cambio Democratico (Democratic Change) party during Martinelli's successful presidential run this year. In addition to her extensive personal ties to Martinelli, the media reports that her daughter was also given one of Panama's lucrative diplomatic postings. According to an Embassy contact, Martinelli told governing coalition deputies several months ago that de Bianchini was his choice, defending her credentials and stating "she keeps me honest." She was the only candidate the coalition put forward, and cleanly beat the opposition Democratic Revolutionary Party (PRD) nominee 43 to 19. The deputies chose Luis Icaza, a member of the coalition Panamenista party, as sub-controller.

Consistent Criticism

13. (SBU) De Bianchini submitted her bid for the controllership October 14, on the day of the deadline, allowing effectively no time for a public debate to emerge. She was confirmed to the post on October 20. La Prensa, the country's leading daily newspaper, ran a critical opinion piece on the front page, directly below the story of her bid submission. The article pointed out the hypocrisy of Martinelli's campaign promise to break the political traditions of nepotism and cronyism, and then choosing such a close collaborator to this important post. "The capabilities of de Bianchini are unquestionable, but her independence generates important doubts. Her appointment will condemn the country to five more years of the same actions so criticized by the President during his third presidential campaign." In response to the allegations of a conflict of interest, President Martinelli said that he trusts de Bianchini's work and honesty.

14. (SBU) La Prensa delivered another rebuke upon de Bianchini's confirmation by the National Assembly in an even more critical front page editorial. Citing broken promises by Martinelli to change the culture of corruption in Panamanian politics and lambasting the assembly for "abject" conduct in its

relations with the executive, the piece predicts that the same pattern will hold with the crucial upcoming nominations for the Supreme Court.

Comment

15. (SBU) Despite de Bianchini's excellent resume from private and public sector experience, the optic of a controller who is beholden to the president, rather than one who will independently examine the government's actions, does nothing to improve the poor performance and reputation of Panama's weak institutions. Observers told Emboffs they were shocked at how overtly Martinelli controlled the nomination, which they said belongs to the legislature, on whose behalf the controller's office provides oversight of the executive branch. The fact that La Prensa, which has been strongly supportive of the new government, has directly challenged Martinelli on this appointment may signal the end of the honeymoon with the media, which Martinelli's closest advisor (Minister of the Presidency Papadimitriou) on October 20 characterized as unprecedented in Panama. The upcoming Supreme Court nominations will be an important indicator of both Martinelli's intentions, and the extent to which he has worn out his image of "change."

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STEPHENSON